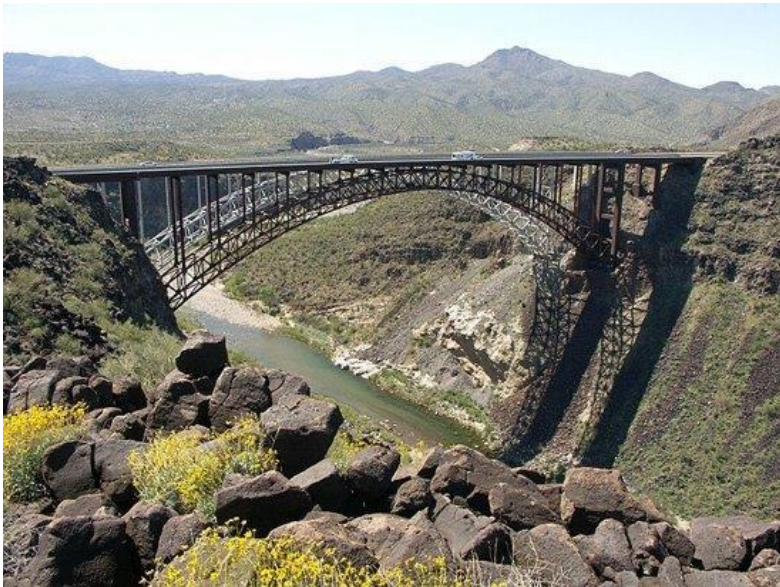


# Arizona Department of Transportation 2015 DBE Availability and Disparity Study

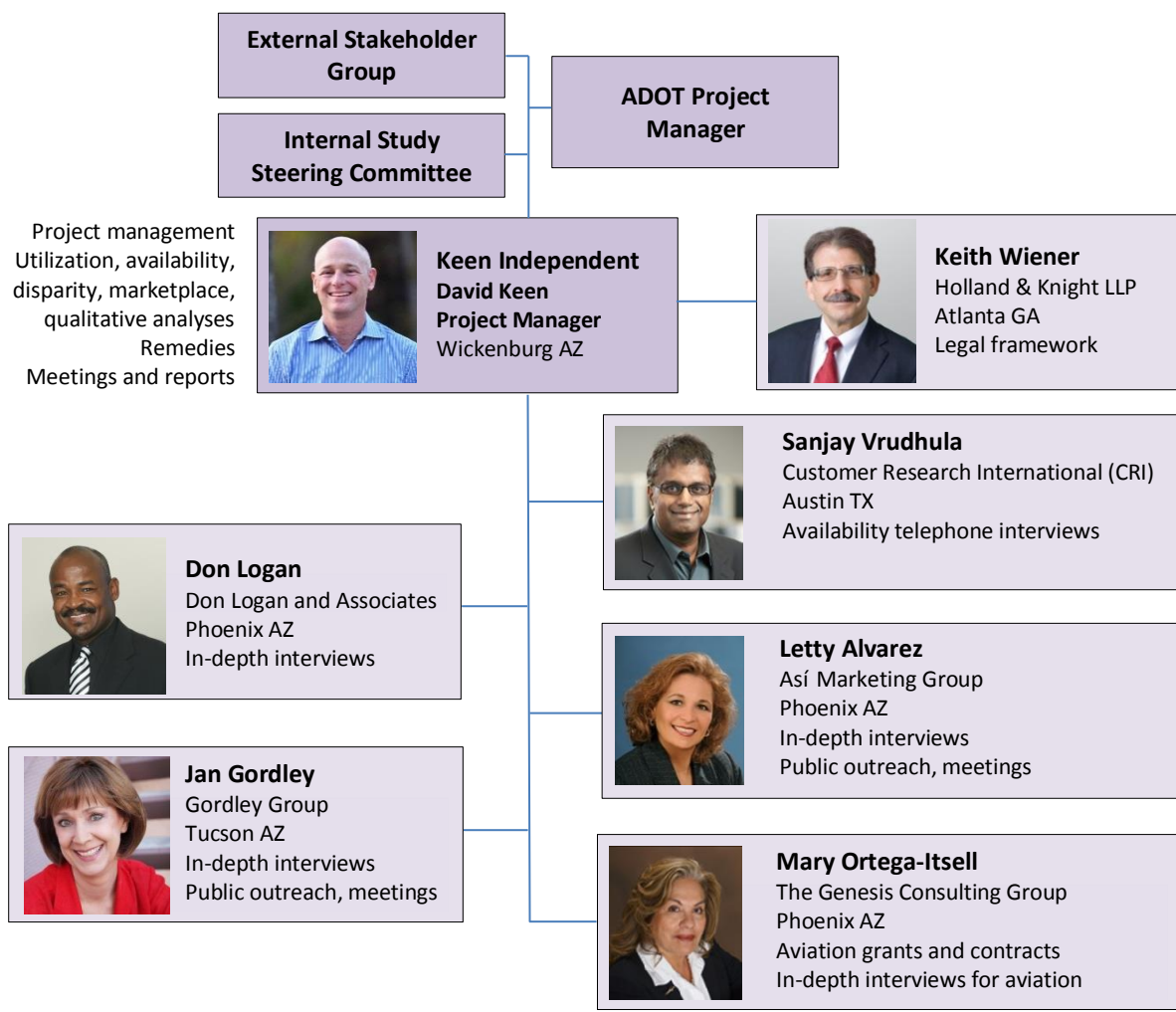


FHWA Goal Public Hearings  
Preliminary Results — Draft Overall DBE Goal for  
FHWA-funded Contracts

David Keen, Principal  
Keen Independent Research LLC  
172 N. Washington St.  
Wickenburg AZ 85390  
303-385-8515  
928-684-3021 (fax)  
[dkeen@keenindependent.com](mailto:dkeen@keenindependent.com)  
[www.adotdbestudy.com](http://www.adotdbestudy.com)  
[info@adotdbestudy.com](mailto:info@adotdbestudy.com)



## 2. Keen Independent study team



## 2014 Availability Study and process for overall DBE goal

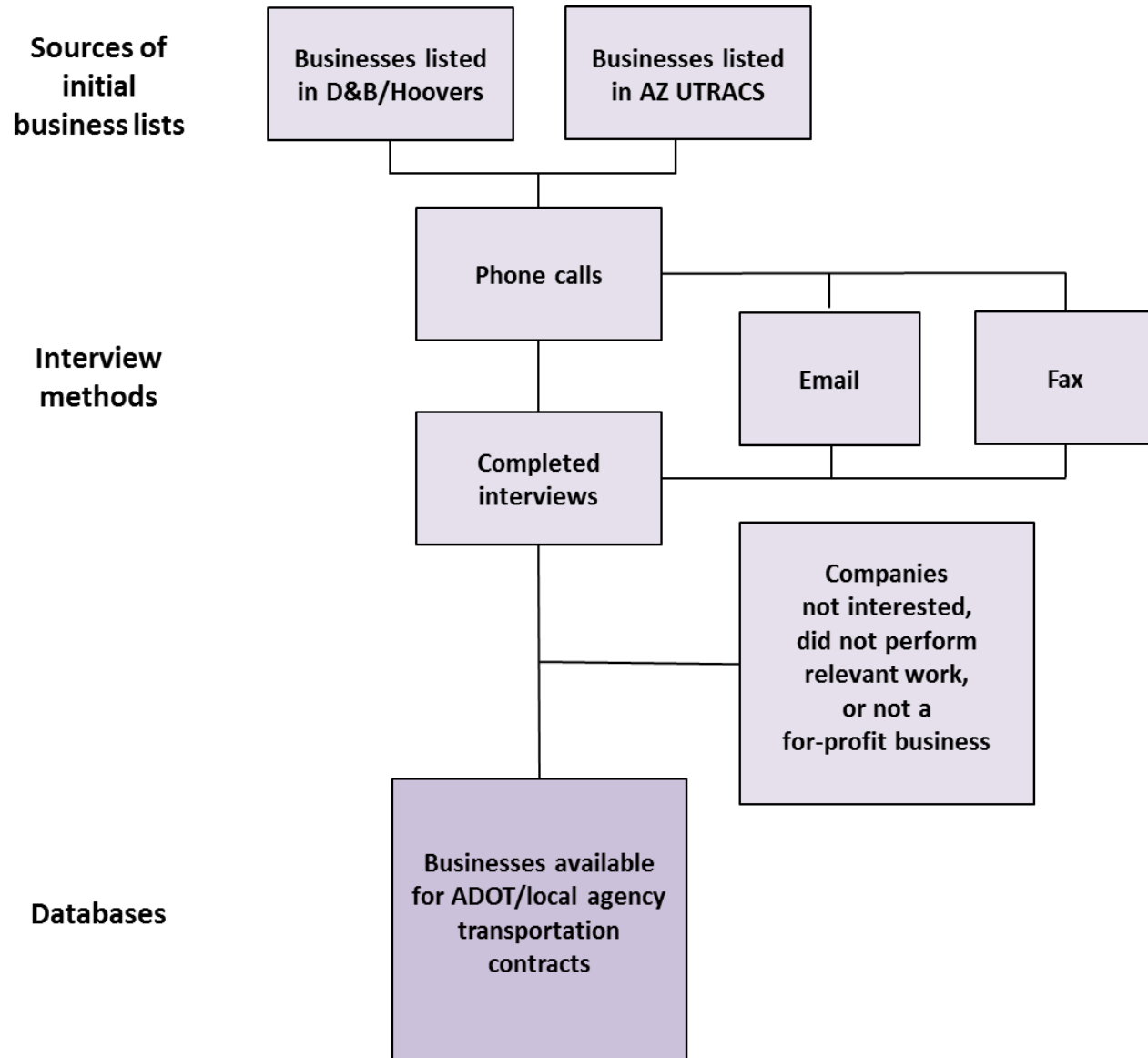
- Current ADOT overall annual DBE goal for FHWA-funded contracts is 7.76%
- Current neutral/race-conscious split is 2.68% neutral/ 5.08% race-conscious
- Recent ADOT DBE participation is in the 7-8% range
- ADOT must submit new overall annual goal for DBE participation and neutral/race-conscious projections for FFY 2015, 2016 and 2017
- On August 4, ADOT published draft DBE goal and the draft Availability Study for public comments [www.adotdbestudy.com](http://www.adotdbestudy.com)
- 45-day comment period includes four public hearings [info@adotdbestudy.com](mailto:info@adotdbestudy.com)
- ADOT will consider comments before preparing overall goal submission in Sept.
- Keen Independent will review comments and prepare final report
- 2015 Disparity Study will contain more information
- Therefore, ADOT's proposed overall DBE goal for FHWA-funded contracts is preliminary and subject to refinement once full Disparity Study complete
- 2015 Disparity Study will also include information for overall DBE goals for FTA- and FAA-funded contracts

## Summary of marketplace information in Availability Study

- Quantitative information about Arizona construction and engineering industries
  - Disparities in access to capital
  - Disparities in business outcomes
- Qualitative information from in-depth interviews completed and analyzed (21)
  - Some indication of barriers for small firms (MBE/WBEs are disproportionately small)
  - Some interviewees report that race/gender a further barrier
  - Some interviewees indicate that it is difficult to obtain work with a prime contractor that they haven't worked with before
  - Some business owners report that ADOT prequalification is a barrier

Note: More extensive qualitative information will be in 2015 Disparity Study

# Availability interviews with Arizona businesses



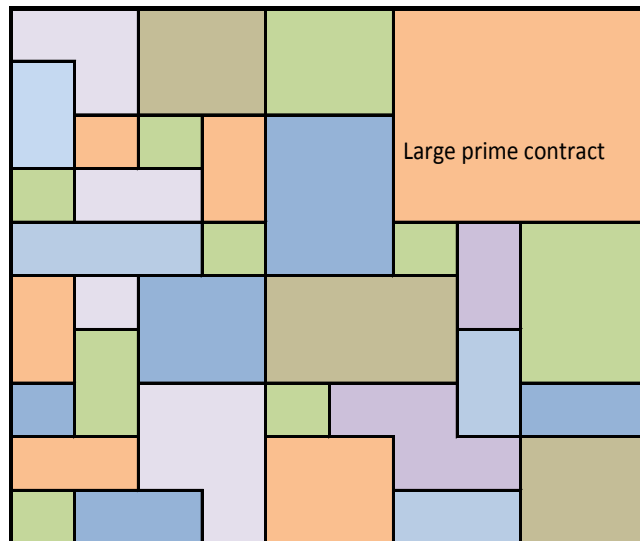
## Preliminary analysis of current availability – “headcount”

Race/ethnicity and gender	Number of firms	Percent of firms
African American-owned	25	2.3 %
Asian-Pacific American-owned	15	1.4
Subcontinent Asian American-owned	16	1.5
Hispanic American-owned	153	14.3
Native American-owned	<u>33</u>	<u>3.1</u>
Total MBE	242	22.6 %
WBE (white women-owned)	<u>173</u>	<u>16.1</u>
Total MBE/WBE	415	38.7 %
Total majority-owned firms	<u>657</u>	<u>61.3</u>
Total firms	1,072	100.0 %

## Approach to dollar-weighted analysis of MBE and WBE availability

- Collect information on firms available for different types of FHWA-funded prime contracts and subcontracts through telephone interviews
- Then determine subset of firms that fit each contract/subcontract
- Divides number of MBE/WBEs available by total firms available
  - $63 \text{ MBE/WBEs} \div 142 \text{ total firms} = 44\% \text{ MBE/WBE availability for one subcontract}$
  - 0 MBE/WBE availability for largest prime contracts
- Then weight results by \$ involved to calculate total

\$10,500 landscape  
subcontract on a 2013 FHWA-  
funded contract for a local  
agency in Central Arizona  
—  
63 MBE/WBEs  
142 total firms



Prime contracts and subcontracts  
come in many types and sizes

Note: only some consultants use  
this approach, many availability  
analyses are very simplistic

## Preliminary analysis of current availability – “dollar weighted”

Race/ethnicity and gender	Dollar-weighted availability
African American-owned	1.02 %
Asian-Pacific American-owned	0.32
Subcontinent Asian American-owned	0.92
Hispanic American-owned	5.29
Native American-owned	<u>2.17</u>
Total MBE	9.72 %
WBE (white women-owned)	<u>6.94</u>
Total MBE/WBE	16.66 %

Note: Preliminary and subject to refinement after Disparity Study complete in 2015



## Preliminary analysis of current availability – converting from MBE/WBE to potential DBE availability

Race/ethnicity and gender	Dollar-weighted availability
Total MBE/WBE	16.66 %
Less MBE/WBEs that exceed revenue threshold	1.92
Less firms that graduated from the DBE Program or denied DBE certification in recent years	<u>1.24</u>
Subtotal	13.50 %
Plus white male-owned DBEs	<u>1.11</u>
Current and potential DBEs	14.61 %

Current DBEs only: 7.06%

Note: Preliminary and subject to refinement after Disparity Study complete in 2015

## Step 2 adjustment examples

Step 2 adjustment component	Value	Explanation
<b>Lower range of overall DBE goal</b>		
Base figure	14.61 %	From base figure analysis
Adjustment for current capacity	-5.23	1/2 of diff. between base figure and median past DBE participation
Overall DBE goal	9.38 %	
<b>Upper range of overall DBE goal</b>		
Base figure	14.61 %	From base figure analysis
Adjustment for "but for" factors	4.00	"But for" adjustment for business ownership
Overall DBE goal	18.61 %	

Note: Preliminary and subject to refinement after Disparity Study complete in 2015

## Preliminary projection of neutral portion of overall DBE goal

Component of overall DBE goal	Current FFY 2012- FFY 2014	Example FFY 2015- FFY 2017
Overall goal	7.76 %	9.38 %
Neutral projection	2.68 %	5.44 %
Race-conscious portion	5.08 %	3.94 %

In FFY 2013, 58% of ADOT's DBE achievement was neutral

Above example for FFY 2015 through FFY 2017 uses same ratio  
(58% x 9.38% = 5.44%)

Note: Preliminary and subject to refinement after Disparity Study complete in 2015